INFORMATION REPORT

CD NQ.

COUNTRY China

SUBJECT 1. Trends in Money Market, Shanghai

2. Chinese Payment for Soviet War Material

PLACE 25X1A

25X1A

DATE OF INFO.

et, Shanghai NO. OF

25X1X

NO. OF PAGES

DATE DISTR.

25<u>X1A</u>

NO. OF ENCLS.

SUPPLEMENT TO REPORT NO.

- 1. Financial circles in Shanghai expect a serious monetary crisis before the end of 1951 because of the Korean War. Measures taken previously to stop the rise in prices have been largely innefective. These were the issue of JMP 50,000 and JMP 100,000 notes and the regulation forbidding any business to withold more than one day's requirement of cash from its bank account.
- 2. It has not been possible to eliminate the black market in money, although the risks of illegal dealing in currency are so heavy that a middleman's commission is from 8 to 10 percent.
- 3. Between early September and early October the black market price of the U.S. dollar rose from JMP 23,000 to JMP 27,000, with an extra JMP 1,000 per dollar for banknotes of US\$ \$100 or more.
- 4. Between early September and early October gold prices in Shanghai rose as follows:

Normal: from JMP 1,150,000 to JMP 1,200,000 per ounce. Changtiao bars or Hangtiao bars: from JMP 1,200,000 to JMP 1,250,000 per ounce.

- 5. In early September 1951 at a meeting of the Financial and Economic Committee in in Peiping, a speaker stated that reference for 1951 was expected to be US \$ 21 billion, and expenditures from US \$ 23 billion to US \$ 24 billion. It was possible, however, that the deficit would be partly covered by the profits of the government monopolies.
- At this meeting another speaker referred to disagreement between the USSR and China over payments are supplied by the USSR for use in horea. The value of these was a lion. Originally the USSR promised to supply

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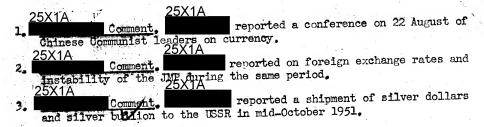
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arms, including airplanes, free; in the Chinese budget for 1951, therefore, no money was set aside to pay for these arms. Then the USER demanded payment at high prices in American currency.

7. By the sale of confiscated property, and from the foreign exchange surpluses of 1949 and 1950, about US \$ 5 billion has been raised and paid to the USSR; but a balance of US \$ 3 billion remained and could not be settled.



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